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June 16, 1997

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JUN 16 1997

Federal Communications Commission
Office of Secretary

Ex Parte Filing

William F. Caton, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

In re Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, **CC Docket No. 96-128**

Dear Mr. Caton:

Enclosed for filing in this docket are the original and one copy of a Whitepaper on the Provision of ANI Coding Digits prepared by the LEC ANI Coalition. I would ask that you include it in the record of this proceeding.

If you have any questions concerning this matter, please contact me at (202) 326-7902.

Thank you for your consideration.

Sincerely,

Michael K. Kellogg /ke

Michael K. Kellogg

Enclosures

cc: Allen Barna
Michael Carowitz
Rose M. Crellin
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Federal Communications Commission
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Whitepaper on the Provision of ANI Coding Digits

June 16, 1997

Introduction and Summary

The linchpin of the Commission's payphone orders is the requirement that interexchange carriers compensate payphone service providers ("PSPs") for each and every call originated on a payphone. Although the Commission gave interexchange carriers until October 7, 1997, to develop the ability to track calls originating on payphones and pay per-call compensation, several interexchange carriers and resellers -- including Telco Communications Group, Oncor Communications, and MIDCOM Communications Inc. -- have advised the Commission that they already have that capability. Accordingly, they are seeking waivers from the Commission in order to pay per-call compensation ahead of schedule.

But some carriers appear to be dragging their feet. In particular, MCI and AT&T have been advising the Commission that there are technological barriers to their development of systems for, and participation in, per-call compensation. AT&T is requesting wholesale modifications to local exchange switches to alter the ANI ii coding digits they send, while MCI is requesting free access to two systems -- LIDB/OLNS and FLEX ANI -- that provide detailed information about the originating line. At the Commission's suggestion, a number of LECs -- including Southern New England Telephone Company, Ameritech, Bell Atlantic Corporation, BellSouth Corporation, GTE Service Corporation, NYNEX Corporation, Pacific Bell, Southwestern Bell Telephone Company, and U S WEST (hereinafter the "LEC ANI Coalition") -- have attempted to develop an industry solution that would address the complaints of AT&T and MCI. But no feasible solution has been identified. To the contrary, AT&T's and MCI's requests are incompatible with each other, contrary to the Commission's orders and findings, and unworkable and inefficient in the extreme.

More fundamentally, AT&T's and MCI's complaints are utterly without foundation. Contrary to AT&T's and MCI's assertions, there is simply no reason whatsoever why <u>any</u> modifications to LEC switches or provision of free access to FLEX ANI or LIDB/OLNS is necessary for per-call compensation to take place. To the contrary, the Commission's orders specifically contemplate that these changes are not necessary for per-call compensation, and many carriers (like Telco) are ready to pay per-call compensation <u>now</u>, without those changes, while others (including the LECs) will be ready soon. Indeed, given that AT&T and Sprint have had no difficulty paying per-call compensation on access code calls in the past, it is difficult to understand how AT&T and MCI can assert the need for extensive changes to LEC networks as a pre-requisite to paying per-call compensation now.

It thus appears that AT&T and MCI are simply stalling. Having pioneered services like 1-800-COLLECT (MCI) and 1-800-CALLATT (AT&T) to exploit a free ride on the backs of PSPs generally and LEC PSPs in particular, these two companies now carry a disproportionate share of payphone calls. They thus will lose the most when the industry shifts from flat-rate compensation to per-call compensation. Consistent with their financial interests, they now are attempting to delay the shift to per-call compensation. But rather than simply seeking a waiver, they are attempting to shift not merely the time frame but the blame as well. The LECs, they claim, are not providing them with the information or coding digits they need. But the LECs, consistent with the Commission's orders, provide AT&T and MCI with all the information they need to make per-call compensation possible.

For these reasons, the LEC ANI Coalition submits this whitepaper to explain why AT&T's and MCI's claims are without foundation, Point I, infra, and why their proposals are economically infeasible, inequitable, unwise, and contrary to the Commission's orders, Points II-III, infra.

Discussion

I. AT&T AND MCI DO NOT NEED ACCESS TO ADDITIONAL INFORMATION TO PAY PER-CALL COMPENSATION

In the Commission's Report and Order, the Commission mandated that all calls originated on payphones be accompanied by automatic number identification ("ANI") coding digits -- often referred to as "ANI ii" -- of "07" or "27," as specifically requested by MCI and Sprint.[1] The Commission reaffirmed that requirement in its Reconsideration Order.[2] Thus, when a call is transferred to an interexchange carrier, at least two pieces of information are provided. First, the interexchange carrier receives the ANI, which is the billing number associated with the originating line. Second, if the call is a payphone call, the interexchange carrier receives ANI ii coding digits of "07" or "27" as well.

Perhaps more important, the Commission's payphone orders also require LECs to provide to interexchange carriers a list of all ANIs associated with payphone lines. Report and Order at 57, ¶ 112; see also Recon. Order at 53-54, ¶¶ 111-113. Thus, at regular intervals, interexchange carriers receive a complete list of the billing numbers associated with payphone lines.

This is all the information interexchange carriers need to provide timely per-call compensation. The ANI ii coding numbers ("07" and "27") have well-understood meanings

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[1]Report and Order, Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket 96-128 at 51, ¶ 98 (rel. Sept. 20, 1996) ("each payphone should be required to generate 07 or 27 coding digits within the ANI for the carrier to track calls") ("Report and Order").

[2]Order on Reconsideration, Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket 96-128 at 46, ¶¶ 94, 99 (rel. Nov. 8, 1996) ("Recon. Order or Reconsideration Order").

established by the Industry Numbering Council ("INC"), an industry group representing both local and interexchange carriers. A "27" transmitted within the ANI indicates that the call originated on a "smart" line (one with coin supervision) used with so-called "dumb" payphones (hereinafter a "coin line"). And a "07" indicates that the call originated on a restricted line, such as the "dumb" lines used with "smart" payphones, inmate phones and coinless phones (hereinafter a "COCOT" line).[3] Consequently, interexchange carriers can use the "07"/"27" ANI ii digit codes to identify and segregate calls that may have originated on payphones.[4]

Having thus identified all potential payphone calls using the ANI ii digits, the interexchange carrier -- at the end of each billing period -- need only compare the ANIs for these calls *on its billing tape* to the LEC-provided *list of payphone* ANIs. For each compensable call that originates from a telephone number that appears on the LEC-provided ANI list, the interexchange carrier pays appropriate compensation to the PSP associated with that ANI. If a call originates from a number that does not appear on the LEC-provided ANI list, it did not originate on a payphone line. This is precisely the procedure that the Commission's payphone orders contemplate. See Report and Order at 56, ¶ 110.

Nonetheless, MCI and AT&T appear to have been advising the Commission to the contrary. In particular, MCI and AT&T appear to have argued that the ANI ii "07" code that identifies restricted lines does not provide sufficient information. The ANI ii "07" code is used to identify all restricted lines requiring special operator handling, including not just COCOT lines (dumb lines for smart payphones) but also, for example, prison payphones and hospital phones. See Letter from E. Estey, Government Affirs Vice President, AT&T, to Regina Keeney, FCC, May 23, 1997, at 3 n.4 ("AT&T Ex Parte").

For fraud prevention purposes, it is true that additional information about the type of originating line is sometimes required. Consequently, in a now-complete proceeding (Docket No. 91-35), the Commission established that additional codes corresponding to narrower classes of originating lines would significantly benefit the industry. Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation, 11 FCC Rcd 17021, 17040, ¶ 34, n.79 (1996) ("OLS Order"). But, in so doing, the Commission considered, and explicitly rejected, the possibility of creating more ANI codes by hard-coding new ANI ii codes into the LECs' switch software. Id. at 17036, ¶ 26. Instead, the Commission ordered the LECs to deploy

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[3]Although the term "COCOT" stands for "Customer Owned Coin Operated Telephone," LEC PSPs and non-LEC PSPs alike use COCOT lines. In fact, the trend for LECs is to move from coin lines toward COCOT lines. See pp. 12-13, infra.

[4]For this reason, PSPs should be required to use a COCOT line rather than a business line where COCOT lines are available. For one thing, it is simply not feasible for LECs to associate the "07" code with any line other than a restricted line. For another, because LECs cannot tell what type of equipment is attached to a line, they cannot know that a line is being used to operate a payphone unless a COCOT line or coin line is requested.

one of two services designed to provide additional information. Reaffirming this requirement in a section entitled "Payphone Fraud," the Reconsideration Order required LECs to make payphone-specific information available to interexchange carriers. See Recon. Order at 33-35, ¶¶ 63-64.

The first of the two services approved in the OLS Order, FLEX ANI, substitutes more specific codes for the traditional, hard-coded ANI ii digits. The Industry Numbering Council's predecessor, the North American Numbering Plan Administrator, defined these new codes. For instance, the "70" code was defined as identifying a line associated with a pay station that does not use coin control supervision (a COCOT line), and "29" was assigned to inmate payphones. Thus, when FLEX ANI is in place and a call is made from a smart payphone using a dumb line, the traditional ANI ii identifying a restricted line ("07") is replaced with the more specific FLEX ANI "70" code (presuming the interexchange carrier has conditioned its trunks to receive the FLEX ANI codes). FLEX ANI, however, requires significant modifications to many LEC networks, at a cost of millions of dollars, and may be entirely infeasible for other LECs, especially smaller ones. Accordingly, the Commission specifically allowed LECs to recover their costs from those who use FLEX ANI, and declined to require the use of FLEX ANI as opposed to other, sometimes more cost-effective, alternatives. See OLS Order at 17035, ¶ 23; id. at 17036, ¶ 26.

Under the second method of providing more detailed information, the LECs provide interexchange carriers with access to their LIDB databases. When a call is placed from a restricted line (identified by the "07" ANI ii code), the interexchange carrier simply queries the LIDB to determine, for example, whether the call originated on an inmate phone, a hospital phone, a hotel phone, or a smart payphone. To use this service, often referred to as LIDB/OLNS, interexchange carriers pay a tariffed rate. The rate, however, is constrained by the Commission's pricing rules generally and the Commission's "new services" test in particular, see 47 C.F.R. §61.49(g)(2). Currently, interexchange carriers pay between 1.0 and 1.8 cents per query. This is significantly less than the 4 cents per query cited by the interexchange carriers in their ex partes.

It is unhappiness with the Commission's OLS Order -- and an evident desire to delay the shift from flat-rate compensation to per-call compensation required by the payphone orders -- that appears to be fueling AT&T's and MCI's current push before the Commission. Ironically, MCI and AT&T appear to have diametrically opposed views of the meaning of the payphone orders, and propose different solutions to the non-existent per-call compensation problem. MCI proposes that interexchange carriers be given free access to the LIDB/OLNS and FLEX ANI fraud protection services. See Letter from Leonard S. Sawicki, Director, FCC Affairs, MCI, to William F. Caton, Secretary, FCC (Mar. 7, 1997) ("MCI Ex Parte"). AT&T, in contrast, contends that neither of those systems is appropriate. Instead, it demands that local exchange carriers be required to modify their switch software to hard-code new, payphone-specific ANI ii codes, so that AT&T will receive the additional ANI ii codes it wants, but not other industry standard codes that it finds inconvenient. See AT&T Ex Parte at 2.

But this is mere strategic gamesmanship. MCI is simply attempting to get FLEX ANI or LIDB/OLNS access for free; AT&T is urging the Commission to revise industry-accepted standards to its own benefit; and both are seeking delay. Neither of the changes proposed by these companies is necessary for per-call compensation. To the contrary, the payphone orders contemplated that carriers would compensate PSPs on a periodic basis by comparing, at the end of each billing period, the list of billed calls against the list of payphone ANIs in that area. Report and Order at 56-59, ¶¶ 110-116; Recon. Order at 48-54, ¶¶ 100-113.[5] Indeed, several interexchange carriers and resellers -- including Telco Communications Group, Oncor Communications, and MIDCOM Communications -- are seeking waivers to begin paying per-call compensation early using precisely such systems.[6] Likewise, LECs will have to pay per-call compensation for alternately billed intraLATA toll calls and intraLATA 800 calls originated from payphones. They too will soon be capable of implementing per-call compensation without the changes AT&T and MCI propose.

Moreover, when it suited their purposes, AT&T and Sprint paid per-call compensation for access code calls to independent PSPs in the past, without free access to these additional services. See Report and Order at 61, ¶ 119 (citing waivers granted to AT&T and Sprint). It is not evident why AT&T would find it harder to track 800 subscriber calls than access code calls. AT&T and MCI already provide their toll-free subscribers with the number or billing number of the originating line for each toll free call. By simply comparing this information against the LEC-provided list of payphone ANIs, AT&T and MCI should be able to determine the compensation they owe to individual PSPs. Nowhere do AT&T and MCI explain why this methodology will not work. Nor do they explain why so many other carriers are already capable of paying per-call compensation without the changes they demand, while they supposedly are not.

Besides, AT&T and MCI's positions were rejected in prior proceedings, and for good reason. As explained in greater detail below, the OLS Order cast aside any suggestion that LIDB/OLNS or FLEX ANI should be given to interexchange carriers for free. See Point II, infra. And the order expressly rejected AT&T's proposal that new ANI ii digits be hard-coded into LEC switches because so doing would be economically infeasible. See Point III-C, infra. How MCI and AT&T can continue to press their positions without even so much as a glance in the direction of these express findings of excess cost and infeasibility is a mystery.

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[5]The interexchange carriers cannot argue that comparing the list of originating numbers to the ANI list increases their costs or requires extra effort. They must make that comparison to determine to which PSP each line belongs -- and thus which PSP must be paid -- in any event.

[6]See Petition of Telco Communications Group for a Waiver of Section 64.1301 of the Commission's Rules, CC Docket No. 96-128 (filed Mar. 24, 1997); Comments of MIDCOM Communications, Inc. on Petition of Telco Communications Group, Inc., CC Docket No. 96-128 (filed June 2, 1997) (stating that MIDCOM will seek a waiver shortly); Petition for Waiver of Oncor Communications, Inc., CC Docket No. 91-35 (filed June 2, 1997).

II. MCI'S DEMAND FOR FREE ACCESS TO LEC DATABASES OR FLEX ANI IS WITHOUT MERIT

Implicitly recognizing that it does not need FLEX ANI or LIDB/OLNS to pay compensation at the end of each billing period, MCI asserts that it needs these services *not* to pay per-call compensation, but to effectuate blocking of payphone calls. But MCI wholly fails to demonstrate that this need is real rather than fictitious. And its apparent proposal that it should receive LIDB/OLNS access or FLEX ANI for free is unworkable.

A. MCI's argument that it may need access to these services to "block" toll-free calls made from payphones is incorrect and, in any event, rests on condition after condition that are unlikely to arise. According to MCI, *if* it passes the per-call compensation charges to its 800 customers on a per-call basis, and *if* they in turn want to be able to reject individual payphone calls to avoid this extra cost, *then* it may need to be able to identify the call as originating from a payphone in real time (rather than at the end of the billing period using the ANI list). From these hypothetical facts, MCI argues that it will need FLEX ANI or LIDB/OLNS access to determine whether or not calls bearing the "07" ANI ii identifier are in fact payphone calls.

As an initial matter, there is absolutely no proof that any such need will arise, and every reason to believe that it will not. First, 800 number subscribers will have no incentive to block calls unless MCI passes the per-call compensation charge on to them on a per-call basis. Neither MCI nor any other carrier has indicated that it has plans to pass per-call compensation costs to their customers in this manner. Indeed, MCI's main competitor -- AT&T -- has indicated that it will *not* be recovering per-call compensation from toll-free subscribers on a per-call basis, but instead will be raising its interstate toll-free rates by seven percent. AT&T Adjusts Business Long-Distance Prices to Offset New Payphone Costs, Business Wire (Apr. 30, 1997).

Moreover, MCI has not shown that, even if it does pass on per-call compensation charges to 800 subscribers on a per-call basis, its subscribers will want to reject payphone calls. Having agreed to pay from 8 cents to 20 cents *per minute* to make themselves more accessible to their customers, 800 subscribers are hardly likely to refuse a payphone call because of a one-time charge of $0.35. Indeed, MCI has failed to cite any 800 number customers who have requested such blocking.[7]

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[7]It is even less likely that interexchange carriers will want to block calls to non-800 numbers. As noted in the Report and Order, interexchange carriers already pay PSPs a healthy average commission of between 81 and 90 cents on payphone-originated calls. Report and Order at 24, ¶ 44. Given this market rate for pre-subscribed payphone calls, it is highly unlikely that interexchange carriers will reject similarly-valuable access code calls to avoid a charge of 35 cents. This is especially true given that interexchange carriers can pass such charges through to customers. Indeed, AT&T already has announced that it will do so. See Some Rates to Rise on Payphone Calls, New York Times, May 31, 1997, at Section 1, p. 36, col. 6.

Finally, MCI has not given even the slightest indication that it has contemplated the deployment of blocking technology. MCI has not explained, for instance, how it would inform end-users that the calls had been blocked at the request of the 800 subscriber. Nor has it explained how it will compensate LECs for handling all the complaints and trouble calls they will receive if it does not provide such a message. And the reason it has not offered these explanations is because it has no plans to block payphone calls. Indeed, the only other carrier to have addressed the question of blocking payphone calls -- AT&T -- has stated that it is not going to develop call blocking technology. AT&T Ex Parte at 3 n.5 (AT&T is not developing technology that would allow "AT&T to block calls from specific payphones based upon the compensation that will be due for the use of such phones."). Before MCI asks the Commission to turn the industry on its head and give costly and valuable services away for free, surely it must show that the "need" it identifies is not fictional but real. This it has not done.

In any event, if MCI were to set up such a blocking regime, neither LIDB/OLNS nor FLEX ANI would be useful in effectuating it. Presumably, if MCI or its customers were to engage in such blocking, they would do so only where PSPs charge them what they consider to be an "excessive price;" in this way, they could negotiate for a lower rate. See Recon. Order at 36-37, ¶ 71. But neither LIDB/OLNS nor FLEX ANI will provide MCI with the information it needs to establish such a system, since neither provides the price charged by the PSPs. Thus, MCI would have to establish its own database, using the ANIs provided by LECs and pricing information gleaned from the PSPs.

Moreover, even if MCI wanted to block all payphone calls regardless of price, access to FLEX ANI or LIDB/OLNS databases still would not be necessary. Using the LEC ANI list regularly provided to it, MCI could set up a database to identify and block calls coming from payphones.

B. MCI's proposal that it receive free FLEX ANI or LIDB/OLNS queries also is unworkable.

FLEX ANI is provisioned on a CIC/end-office basis. Consequently, it is not possible to give MCI FLEX ANI for payphone calls alone. Thus, if MCI were given FLEX ANI for free for the purpose of identifying payphone calls, it would also receive FLEX ANI for free for purposes of identifying all types of phone calls. This is directly contrary to the OLS Order, which directs that interexchange carriers pay for this additional screening capability. OLS Order at 17035, ¶ 23.

Similarly, giving MCI free LIDB/OLNS database access for purposes of identifying payphone calls would in effect give MCI free access for all calls. LIDB/OLNS databases cannot determine why an interexchange carrier has made a query; they can only discern that the interexchange carrier in fact has made a query. Consequently, any requirement of free LIDB/OLNS access for payphone calls would be utterly unenforceable; IXCs could use it to get free LIDB/OLNS access for all calls. Once again, the OLS Order is directly to the contrary. Id.

C. Of course, even if MCI were to receive the benefit of these services for free, <u>someone</u> would have to pay for them. The FCC cannot force LECs to make an investment and then not compensate them for the costs. Presumably, MCI would like to foist the cost of its LIDB/OLNS access or FLEX ANI on PSPs. This, however, would be economically unwise, technologically infeasible, and highly inequitable.

To deploy FLEX ANI ubiquitously throughout the nation, for example, would cost hundreds of millions of dollars. Many smaller LECs would have to buy whole new switches, as many older switches cannot even support FLEX ANI. If these costs were passed through to PSPs, it would be the death knell for some. Indeed, in some instances, the cost of a whole, new switch might have to be borne by a payphone base of a few hundred.[8]

Imposing this cost on the PSPs would also be technically infeasible. Because FLEX ANI is provisioned and billed on a CIC/end-office basis, it cannot be associated with any particular group of PSPs; it can only be associated and billed to the IXC that has requested it. Moreover, shifting the entire cost of FLEX ANI to PSPs through some sort of per-payphone tariff would be manifestly inequitable and economically unsound. Since FLEX ANI would work for all calls, not just payphone calls, PSPs would be forced to pay for the use of FLEX ANI on calls that do not originate on their phones. This is especially unfair given that many of the benefits of FLEX ANI are unrelated to payphones. Similarly, LIDB/OLNS access cannot be billed to PSPs because such queries are associated, once again, not with PSPs but rather with the IXCs that make the queries.

Finally, imposing these costs on PSPs would be contrary to the Commission's orders. Because MCI does not <u>need</u> these services to pay per-call compensation -- Telco, Oncor, MIDCOM and the LECs don't -- there is absolutely no reason for shifting their cost to PSPs. Besides, even if the services were necessary, the Commission's orders specify that MCI should pay for them. As the Commission concluded, the expenses "associated with administering [the] compensation rules . . . must be borne by the entity that receives the primary <u>economic benefit of the payphone calls</u> . . . ." <u>Recon. Order</u> at 52, ¶ 111 (emphasis added). Because it is the interexchange carrier that benefits most from the calls, it is the interexchange carrier that must pay the cost of administering compensation. <u>Recon. Order</u> at 43, ¶ 88.

Perhaps recognizing that this principle would place the cost of their unreasonable demands back on their own shoulders, MCI and AT&T attempt to argue that, because PSPs are the primary beneficiaries of per-call <u>compensation</u>, PSPs should pay for the costs of

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[8]In the <u>OLS Order</u>, the FCC ordered that PSPs be required to bear the *one-time* cost of designating their lines as "restricted," but not the ongoing cost of providing that information to interexchange carriers. <u>OLS Order</u> at 17,044, ¶ 43. Moreover, the FCC did so only because the cost of so doing would be "modest." <u>Id.</u> The costs that MCI seeks to impose on PSPs here have to do with providing the information to IXCs, not designating the line in the first instance, and are anything but modest.

administration. But this is unsupported by the language of the FCC's orders, which places the costs of per-call compensation on the primary economic beneficiary of "the payphone call," Recon. Order at 52, ¶ 111, not the primary beneficiary of per-call compensation.

Moreover, the position is absurd. Having gotten a free ride for payphone calls for years, AT&T and MCI cannot label PSPs the "primary economic beneficiary" simply because the free-ride has come to an end. To the contrary, it is the interexchange carriers that continue to reap a windfall. Even though they are willing to pay $0.90 per call as commissions to receive calls from payphones, the payphone orders require them to pay a mere $0.35 for subscriber 800 and dial-around calls. Given this continued 60 percent discount, the carriers' crocodile tears about having to pay compensation are simply incredible.

III. AT&T'S REQUEST THAT LECS BE REQUIRED TO REPROGRAM THEIR SWITCHES MUST BE REJECTED

While MCI reads the payphone order as requiring the provision of LIDB/OLNS access or FLEX ANI for free, AT&T does not. Instead, AT&T argues that LIDB/OLNS and FLEX ANI are inadequate for its purposes. It therefore reads the payphone orders as requiring something different altogether.

In particular, AT&T appears to urge the Commission to require that COCOT lines ("dumb" lines used by "smart phones") provide a two-digit ANI ii code other than "07." See AT&T Ex Parte. Indeed, AT&T argues that the "70" codes sent by the switch to subscribers of FLEX ANI (and the "29" codes sent with respect to inmate phones), should be sent to non-subscribers as well. Id. at 3.[9]

While it is far from clear how AT&T intends LECs to accomplish this, it appears that AT&T wants LECs to hard-code these two new ANI ii digits into their switches. This proposal, however, is wholly unnecessary, contrary to industry standards, and has been rejected by the Commission before.

A. AT&T's proposal that new ANI ii digits be provided is unnecessary for the same reasons given above, see pp. 2-5, supra. AT&T previously paid per-call compensation to

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[9]We should point out that it is infeasible to make COCOT ("dumb" lines for "smart payphones") deliver the same "27" digit used to identify coin lines ("smart lines" for "dumb phones"). The network has always used a special ANI code ("27") for calls originated on smart lines. This code alerts the network that calls originating on that line require coin control. If the "27" code were provided to a line not using a "dumb" payphone, the network would attempt to treat the attached CPE as a "dumb payphone," requiring the CPE to provide coin deposit information and respond to coin control commands. Conversely, the "07" digit cannot be used for coin lines, because the network would not know that coin control is required. Thus, callers would be able to make local and sent paid (1+) calls without charge.

independent PSPs under Commission waivers, and has encountered no need for these additional codes. LECs will be able to pay per-call compensation (for intraLATA toll calls and intraLATA 800 calls) by the Commission's deadlines, and they will be able to do so without modification of traditional hard-coded ANI ii codes. And other interexchange carriers already can pay per-call compensation without these additional hard-coded ANI ii digits. It is far from clear why AT&T cannot do the same.

Besides, to the extent AT&T wants additional identifying information, this can be obtained through the solutions adopted in the OLS proceeding. As AT&T points out, the Commission's order does require that LECs make available information that identifies the originating line as a payphone line (rather than merely identifying it as a restricted line). Recon. Order at 33-34, ¶ 64; AT&T Ex Parte at 2. But any suggestion that this is necessary for purposes of per-call compensation is wrong. The Commission required that this information be made available for purposes of screening, and addressed the issue in the section of the Commission's order that addresses screening. See Recon. Order at 33-34, ¶¶ 63-64 (section headed "Payphone Fraud Prevention"). And, consistent with the OLS order, the Commission has placed the cost of designating certain lines as payphone lines or recording other necessary screening information on PSPs. See OLS Order at 17044, ¶ 43; page 8, n.8, supra. But, when it comes to per-call compensation and sending coding digits to the carriers, the Commission -- in the portion of the order addressing per-call compensation -- expressly reaffirmed its decision to require use of "07" and "27" coding digits. Recon. Order at 46, 48 ¶¶ 94, 99.

In any event, for purposes of fraud prevention/screening, LECs have met the requirements of paragraph 64 of the Recon. Order through the LIDB/OLNS and FLEX ANI solutions identified in the OLS proceeding. Both provide unique coding digits that identify the call as originating with a payphone. And both can be used to prevent fraud, as contemplated in the OLS proceeding as well.

AT&T nonetheless complains that access to LIDB/OLNS databases is too slow, too expensive, and would require modification of its toll-free switches. AT&T Ex Parte at 2-3. But those arguments were rejected in the OLS proceeding itself. A LIDB/OLNS query is only required for calls originated on restricted lines (such as inmate and smart phones), and the resulting delay is minimal (usually less than half a second). The Commission has already concluded that "the benefits . . . outweigh the additional expense that the OSPs would incur and the added call set-up time they would experience on some calls." OLS Order at 17036, ¶ 27. Moreover, FLEX ANI does not impose any delay and requires no look-up. AT&T simply does not like the way it is implemented because it provides too much information. See Part III-C infra.

B. AT&T's proposal not only rejects established industry solutions, but is entirely at odds with the factual findings of this Commission. As the Commission recognized in the OLS proceeding, modification of the software of each and every central office switch to change the assignment of ANI ii codes is prohibitively expensive and manifestly inefficient. This is not a matter of rewriting the software for a few switches at a cost of a few million dollars. It means revamping every switch used in every central office -- rewriting the generic software -- at an estimated cost of hundreds of millions of dollars.[10] See OLS Order at 17032, ¶ 19 (New ANI codes could not be added to this traditional technology "without rewriting the generic switch software and installing the revised version in each [LEC] switch.").

It was precisely for this reason that the OLS Order rejected this solution for screening, and it was for this reason that the Commission decided to follow the OLS Order in its Payphone Orders. As the Commission explained:

> The ANI ii technology is only capable of offering five codes at the present time and we do not believe that it will be economically feasible for the LECs to provide additional OLS codes with that technology.

OLS Order at 17036, ¶ 26. AT&T, in its Ex Parte, does not even so much as mention this express finding, and with reason: It shows that AT&T is asking for something the Commission already has rejected as infeasible and inefficient. Compared to the hundreds of millions of dollars it will cost LECs to reprogram their switches,[11] the five, ten, even twenty million dollar numbers AT&T throws around in its Ex Parte (at 3) are chicken feed. And, if an inefficient solution is imposed, it is ultimately the consumer who pays.

A final problem with AT&T's proffered solution is timing. Simply put, there is no feasible way of modifying each and every switch on the time schedule AT&T proposes. The LEC ANI Coalition has been informed it would take most switch vendors almost a year to develop the necessary software. Then it would take at least six months to deploy that software in every LEC end office.

C. Perhaps the greatest irony in AT&T's submissions is its reliance on INC and other industry standard groups. In fact, AT&T is not asking the Commission to reaffirm industry standards. Instead, it is asking the Commission to rewrite them.

Currently, there are two industry standards for ANI coding digits, and AT&T appears to have rejected them both. The first is standard, hard-coded ANI ii, which sends only a handful of codes, including a "07" for restricted lines like COCOT lines, and a "27" for coin lines. The second is FLEX ANI, which replaces the coding digits sent in the ANI ii with more specific

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[10]This figure includes the costs of developing and deploying the new switch generics containing the updated software, as well as the cost of replacing switches for which such generics are unavailable.

[11]Moreover, AT&T's cost estimates are inflated. While it argues that LECs charge between $1,000 and $1,200 per end office per CIC for FLEX ANI, AT&T Ex Parte at 3-4, many LECs charge less. Ameritech, for example, charges $500 per end office per CIC.

codes. Several of these more specific two-digit codes have been identified, and allocated to specific call types, by the industry numbering committee (INC). Thus, just as the INC has reserved "70" to identify payphone calls from COCOT lines, it has reserved "61" to identify wireless calls, and "93" to identify calls originating on virtual private networks.[12]

AT&T rejects existing hard-coded ANI ii as insufficient because it is capable of sending just a handful of different codes, and does not send the "70" or "29" coding digits. But AT&T also rejects FLEX ANI because it would send too many different ANI ii codes. In addition to identifying payphone calls with the "70" digit, it identifies other calls with unique digits. According to AT&T, its network is simply not set up to accommodate these other codes, even though the industry numbering committee established their meaning precisely the same way it established a meaning for the "70" and "29" codes AT&T seeks. See AT&T Ex Parte at 3-4.

For AT&T simultaneously to contend that it is entitled to receive "70" and "29" as industry standard codes, while arguing that it must avoid receiving the other industry standard codes provided by FLEX ANI, is both short-sighted and disingenuous. If AT&T wants the codes identified by industry standards, FLEX ANI provides them.[13] If AT&T wants the handful that are provided by LECs as a standard matter, it can use standard, hard-coded ANI ii. But what AT&T is asking for is that all LEC switches be rewired to provide a new, AT&T-specific, intermediate standard: Hard-coded ANI ii is now to provide two additional codes -- "70" and "27" -- but is *not* to provide any *other industry-accepted* coding digits.

Even if it were feasible for LECs to make this change -- and it is not -- it could paralyze the networks of AT&T's competitors and certainly would impose great costs on them. As AT&T suggests in its objections to FLEX ANI, AT&T Ex Parte at 3, interexchange carrier networks may not be equipped to recognize certain new ANI ii codes, and therefore may "drop" calls if

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[12]AT&T's suggestion that the provision of a "70" and a "29" coding digit is now industry standard as part of hard-coded ANI ii is blatantly misleading. The documentation that AT&T submits with its ex parte merely indicates that INC has reserved these two digit pairs -- along with other digit pairs -- to identify particular types of calls. That a digit pair has been identified with a particular service or line does not mean that it is industry-standard to send that code. To the contrary, it is industry standard not to send any additional codes, other than the basic ones provided under hard-coded ANI ii. AT&T appears to concede as much, as it argues that its network is not equipped to accept many codes -- such as "61" for wireless calls, or "93" for virtual private network calls -- even though INC has reserved those codes in the same way as it reserved "70" and "29".

[13]FLEX ANI service was developed based on industry input, and the codes it sends are all consistent with INC definitions. Moreover, FLEX ANI itself was identified in the Commission's OLS Orders over a year ago. It is thus disingenuous for AT&T to claim that the proposal to deploy FLEX ANI was made recently and that the technological features of that system came as a surprise. AT&T Ex Parte at 3.

they are accompanied by an ANI ii code that is not recognized. If LECs were to undertake the multimillion-dollar rewrite of switch software that AT&T proposes, all interexchange carriers -- including carriers that, unlike AT&T, do not want to them -- would receive the new "70" and "29" codes that AT&T now demands. As a result, those interexchange carriers would have make adjustments to their networks to accept the new "70" and "29" codes. If they did not, they might end up dropping calls bearing those codes, or find themselves unable to bill or track such calls.

If AT&T's network does not conform or cannot accommodate the industry FLEX ANI solution, AT&T should modify its network or seek industry consensus that the service should be changed. But surely AT&T cannot claim the right unilaterally to establish the ANI ii standards for the entire industry under the guise of administering per-call compensation. Yet that is precisely what AT&T attempts to do.

IV. THE QUESTION OF CODING DIGITS IS NOT A COMPETITIVE ISSUE

Finally, although AT&T and MCI make vague efforts to cast this as a competitive issue between LEC and non-LEC PSPs, it clearly is not. LEC PSPs often and increasingly use the same configuration as non-LEC PSPs. Eighty percent of BellSouth's phones are on COCOT lines that provide the "07" digit, and other LECs are moving toward that configuration as well. U S WEST, for instance, has twenty percent of its phones on COCOT lines and plans to have all its phones on COCOT lines within the next three years. Moreover, since the coding digits are not used for negotiated per-call compensation, they will not affect interexchange carrier payments to PSPs either.

Thus, the question of coding digits is not one of competitive parity but one of cost recovery. AT&T's and MCI's complaints are thinly-veiled attempts to shift a screening cost that should be borne by them -- under the OLS Order and the payphone orders alike -- and pass it on to PSPs. See AT&T Ex Parte at 3. But there is no reason why PSPs should be forced to bear the multi-million dollar cost of AT&T's inefficient and unnecessary "solution," or should subsidize MCI's access to unnecessary services. All other compensation payors, including the LECs, Sprint, and Telco, are willing and able to provide per-call compensation based on current technology and standards. Consequently, the Commission should reject MCI and AT&T's delaying tactics, and approve the solutions identified in the OLS Order and implemented by the LECs today.

Conclusion

After careful study and extended comments, the Commission in the OLS proceeding declined to impose a particular solution on the industry for providing additional information about restricted lines. Instead, recognizing that providing additional, hard-coded ANI ii digits would be economically infeasible, it allowed LECs to provide this information by way of LIDB/OLNS or to provide it through FLEX ANI. OLS Order at 17036, ¶¶ 26-27.

The members of the LEC ANI Coalition read the Commission's payphone orders as consistent with those findings and conclusions. Indeed, in accordance with the Commission's orders, they have equipped themselves to provide all the information interexchange carriers need to provide per-call compensation. But they did not read the Commission's payphone orders as requiring them to reprogram their switches -- at costs of hundreds of millions of dollars -- to provide information the interexchange carriers do not need for per-call compensation. And they surely do not read the payphone orders as in any way undercutting the Commission's express finding in the OLS Order that such an approach would be wasteful and economically infeasible. Id. at 17,036, ¶ 26.

To the extent any genuine per-call compensation issues do exist, the members of the LEC ANI Coalition are prepared to work on an industry solution. But the problems and issues identified by AT&T and MCI so far are imagined and not real. And their proposals are utterly contrary to the carefully found facts the Commission made in a proceeding expressly designed to investigate the ANI coding digit question.

Respectfully submitted,

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